ANNUAL REPORT 1992 年 報

GIORDANO

GIORDANO
HOLDINGS
LIMITED
佐丹奴企業有限公司

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Financial and Operation Highlights

Financial Highlights (Amounts expressed in HK$'000)	Consolidated 1992	Proforma Combined Results 1991	1990	1989	1988
Turnover	**1,661,364**	1,169,622	892,337	711,564	498,293
Turnover increase *(%)*	**42.0**	31.1	25.4	42.8	76.6
Profit after tax	**115,091**	85,130	45,501	28,734	21,152
Profit after tax increase *(%)*	**35.2**	87.1	58.4	35.8	N/A
Shareholders' funds	**361,677**	283,239	58,630	34,861	5,595
Working capital	**238,905**	219,262	9,467	(23,638)	(54,682)
Total debt to equity ratio	**1.1**	0.6	4.6	7.3	45.3
Bank borrowings to equity ratio	**0**	0	0	0	0.8
Current ratio	**1.6**	2.2	1.0	0.9	0.8
Inventory turnover on sales *(days)*	**86**	76	71	73	91
Return on total assets *(%)*	**15.4**	18.3	13.8	10.0	8.2
Return on average equity *(%)*	**35.7**	49.8	97.3	142.1	N/A
Return on sales *(%)*	**6.9**	7.3	5.1	4.0	4.2
Earnings per share *(cents)*	**19.0**	15.8	10.1	6.4	4.7
Cash dividend per share *(cents)*	**7.5**	5.0	$2.5million on 2 shares in issue	0	0

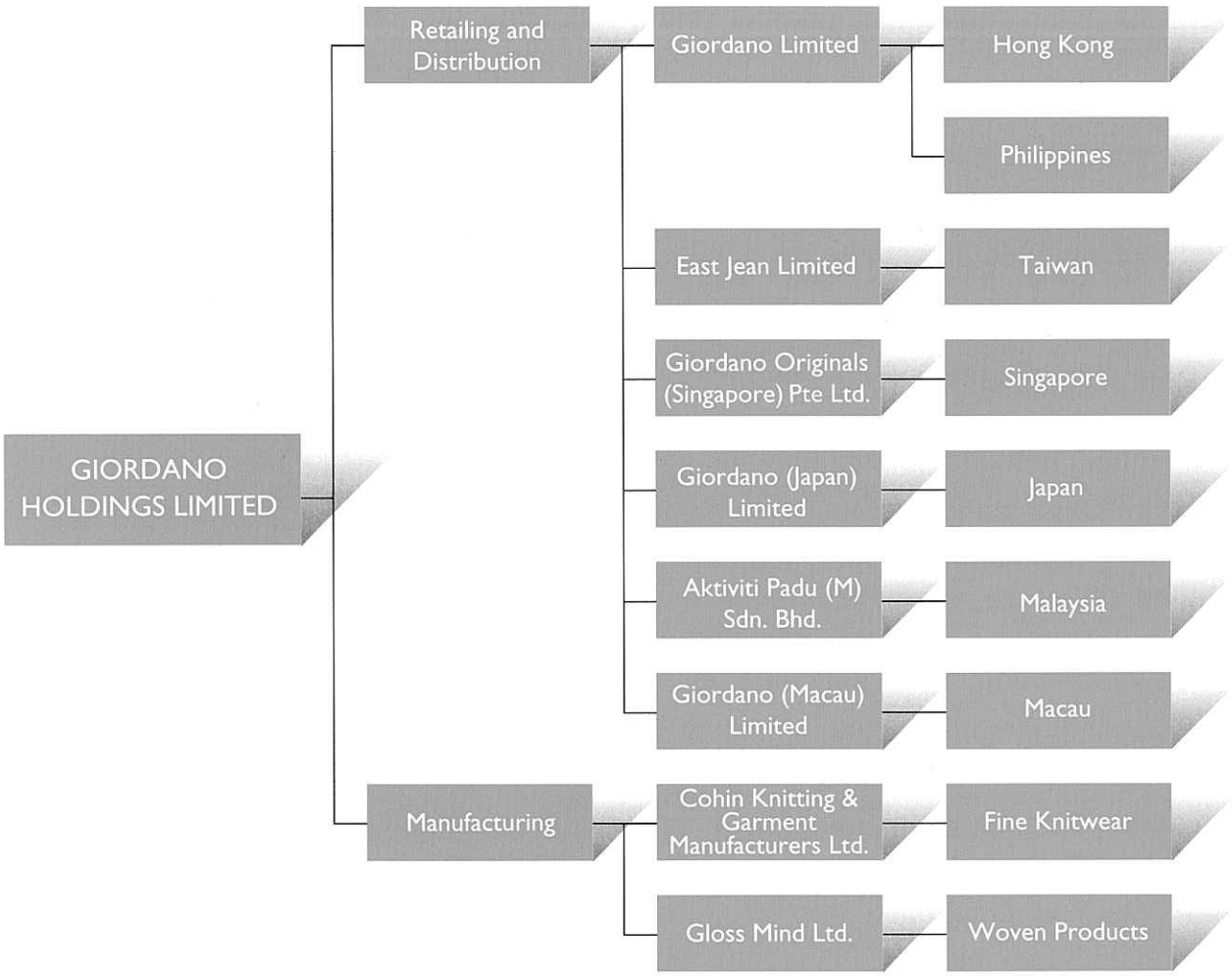
Operation Highlights

(Figures as at year end unless specified)	**1992**	1991	1990	1989	1988
No. of retail outlets directly managed by the Group	**191**	160	143	116	101
Total no. of retail outlets	**614**	236	148	118	101
Retail floor area directly managed by the Group *(sq. ft.)*	**139,500**	99,800	90,400	68,900	51,400
Sales per square foot *(HK$) (note 1)*	**12,200**	10,900	10,000	8,800	8,600
No. of employees	**2,104**	1,477	1,437	1,298	1,147
Comparable store sales increase *(%) (note 2)*	**25**	25	22	17	56
No. of sales associates	**1,207**	794	700	619	489

Notes:

1. On weighted average basis.
2. Regarding those outlets which were open for the full 12 months in each of the two financial years under comparison.

Corporate Structure



Corporate Information

DIRECTORS

Mr. Lai Chee Ying, Jimmy *Non-executive Chairman*
Mr. Lee Kwok Cheung, Brian *Chief Executive*
Mr. Lau Kwok Kuen, Peter
Mr. Barry John Buttifant *Non-executive*
Mr. Edward James Wu *Non-executive*
Mr. Wang Xin Wen *Non-executive*

COMPANY SECRETARY

Mr. Chan Kui Tim, Jimmy

REGISTERED OFFICE

5th Floor, Tin On Industrial Building
777-779 Cheung Sha Wan Road
Kowloon, Hong Kong

AUTHORISED REPRESENTATIVES

Mr. Lee Kwok Cheung, Brian
Mr. Chan Kui Tim, Jimmy

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking
Corporation Limited
1 Queen's Road Central
Hong Kong

Citibank N.A.
18 Whitfield Road
Causeway Bay
Hong Kong

SOLICITORS TO THE COMPANY

Robin Bridge & John Liu
22nd Floor, Lane Crawford House
70 Queen's Road Central
Hong Kong

Slaughter and May
27th Floor, Two Exchange Square
Hong Kong

AUDITORS

Coopers & Lybrand
Certified Public Accountants
23rd Floor, Sunning Plaza
10 Hysan Avenue
Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICE

Abacus (Hong Kong) Limited
2201 Sunning Plaza
10 Hysan Avenue
Hong Kong

Chief Executive's Statement

The Group benefited from continued growth in sales in all its major markets in 1992.

During the year, the Group opened an additional 31 directly managed outlets, mostly in Taiwan, to a total of 191, thereby expanding the total retail square footage under the Group's direct management by 39,700 to 139,500. Sales in comparable stores, i.e. those outlets which were open for the full 12 months as of 31st December, 1991 and 1992, increased by 25 percent.

Amongst our three major markets, Taiwan recorded the strongest growth with a 74 percent increase in sales in 1992. The remarkable performance was attributable to the implementation of our plan to expand the retail network in that market and the improvement in operational efficiency as a result of installing the electronic point of sales system in our units in Taiwan. There were a total of 13 additional independent shops and 2 additional counters opened in Taiwan in 1992, taking the total number of Giordano outlets in the country to 129 at 31st December, 1992. We expect to see even better results in Taiwan this year in light of the enlarged network and improved operation system.

The units in Hong Kong and Singapore also registered satisfactory increases in sales in the year under review. In Hong Kong, sales increased by 20 percent, largely contributed by improvement in comparable store sales. There was only one outlet added bringing the total to 37 at the end of last year. However, total square footage increased by 2,500 to 33,100 due to replacement of several smaller shops by larger ones. Our present strategy is to obtain more selling space in Hong Kong instead of opening more new outlets, as in Taiwan. In Singapore, sales increased by 36 percent due mainly to rises in sales per square foot as the management focused on fine tuning the operation. The opening of new shops towards the end of 1992 will enable the Singapore unit to maintain its satisfactory growth in 1993.

In terms of new market development, we entered Malaysia and expanded market coverage in Japan in 1992. A total of three shops and four counters were set up in Kuala Lumpur. In Japan, nearly all of Aoyama's over 400 stores are selling our products. While sales in these two markets are not expected to grow significantly in

the immediate future due to high tariffs or a sluggish economy, we believe a solid base has been established for our retail operations in the two countries.

A very major move in 1992 was the formation of a joint venture to expand into the China market. Tiger Enterprises Limited, the joint venture company has successfully launched Giordano products in Guangdong with the opening of four stores since last September. Sales have been extremely encouraging, demonstrating a strong reception of the Giordano brand in China. However, due to the high start up costs and a low mark-up policy designed to quickly establish a reasonable market share before other similar foreign brands are introduced into China, Tiger suffered considerable losses in its first year of operation. Moreover the results were further hit by the devaluation of the Renminbi during last year and by provisions made on a number of product items developed to test customer preference in China, a market basically unknown to any foreign retailer. Our results in 1992 have been impacted by the sum of HK$10.4 million because of Tiger's losses on an equity accounting basis according to our 20 percent shareholding. Despite the losses in 1992, we are still confident of the future of Tiger as it expands its retail and distribution network and strengthens its operations in China.

On the production side, our two manufacturing units further expanded capacities to cope with increasing demand and made satisfactory contribution to group results in 1992. Co-operation with the retail division resulted in starting a just-in-time production scheme last year which has reduced significantly the replenishing time for some of our core products. The in-house manufacturing capability will remain an important factor in maintaining the Group's competitiveness as a value-for-money casual wear retailer in Asia.

We must never forget that our employees, at all levels of the company - from sales associates to designers, to those who work so hard to put Giordano quality into every garment we produce - are the base for our success. I would like to thank all our staff throughout the company for their excellent performance in 1992.

LEE KWOK CHEUNG, BRIAN

26th March, 1993

Operations Review

INTRODUCTION

In 1992, the Group made considerable progress in the businesses in its major markets and entered a number of new markets in Asia. Sales in Hong Kong, Taiwan and Singapore, presently our three major markets, together grew 40.6 percent to HK$1,437 million as a result of the continued expansion of our retail network and further improvements in operational efficiency. During the year, a total of seven directly managed outlets were opened in Kuala Lumpur, Malaysia. Also, through a joint venture, three shops - two in Guangzhou and one in Shenzhen, were set up in China.

On the manufacturing side, our production facilities were further expanded and fine tuned to meet demands from both internal and external customers. Total output in 1992 increased 10 percent to 8.7 million garments.

RETAIL & DISTRIBUTION

After entering China and Malaysia in 1992, the Group is now operating in seven countries in Asia. A total of 191 directly managed outlets - 108 shops and 83 counters - were in operation as of the end of 1992, up from 160 outlets a year ago. If the 411 counters in the stores of Aoyama Trading Company, which sells our products in Japan under a distribution agreement, together with the nine franchisee stores in the Philippines and the three stores in China, which were operated by our joint venture, were included, there would have been a total of 614 Giordano outlets in operation in all seven countries as at 31st December, 1992. Total square footage under management by us increased 39.8 percent to 139,500.

Service, quality and value for money are the basic principles of our business. The management at all times does its best to ensure these principles are applied in the day to day work of our people. During 1992, tremendous efforts were made in strengthening training for staff at all levels to preserve and upgrade our ability to deliver excellent service and quality to our customers. Substantial investments were made in information technology to enable our people to obtain speedy information to respond quickly to market demand. We looked at every way possible to reduce costs so that savings could be passed to our customers. As a result of our efforts we were able to maintain or lower the prices of most of our products in 1992 despite high inflation rates in some of the countries we were operating in.

Hong Kong

	1992	1991	1990
Net Sales (*HK$m*)	**652.8**	544.7	407.8
Sales per sq. ft. (*HK$*)*	**21,100**	18,400	15,700
Comparable store sales increase (%)**	**16**	34	24
Retail floor area (*sq. ft.*)***	**33,100**	30,600	28,700
Number of sales associates***	**497**	402	393
Number of outlets***	**37** (33 shops 4 counters)	36 (32 shops 4 counters)	35 (31 shops 4 counters)

* On weighted average basis.

** Regarding those outlets which were open for the full 12 months in each of the two financial years under comparison.

*** As at 31st December, 1992.

Our well established retail operation in Hong Kong was further expanded by the opening of one additional shop and the replacement of several smaller shops with larger ones. As a result total square footage increased by 8 percent to 33,100 from 30,600 a year ago. Sales rose 19.9 percent to HK$652.8 million due to the increase in retail floor area and the improvement in operational efficiency - sales per square foot and comparable store sales increased by 14.7 percent and 16 percent respectively.

Hong Kong is one of the busiest markets in the world in terms of the movement of consumer goods. In order to cope with the extremely high turnover, we replaced the electronic point of sale terminals in our Hong Kong outlets with the most up-to-date models available on the market. This enables our sales associates to handle transactions faster. The EPOS system is currently being upgraded from a batch to an on-line basis to provide immediate information to allow an even quicker response to market demands. The central warehouse in Hong Kong was expanded to cope with the expanding turnover. Satellite warehouses, on an experimental basis, were set up in major locations to facilitate inventory replenishment of the shops.

Taiwan

	1992	1991	1990
Net Sales (*HK$m*)	**615.1**	353.3	221.9
Sales per sq. ft. (*HK$*)*	**8,800**	6,800	6,500
Comparable store sales increase (%)**	**37**	10	21
Retail floor area (*sq. ft.*)***	**81,800**	58,400	43,000
Number of sales associates***	**484**	288	220
Number of outlets***	**129** (58 shops 71 counters)	114 (45 shops 69 counters)	95 (35 shops 60 counters)

* On weighted average basis.

** Regarding those outlets which were open for the full 12 months in each of the two financial years under comparison.

*** As at 31st December, 1992.

1992 saw another record growth in our operations in Taiwan as sales increased by 74 percent to HK$615.1 million. In line with our plan, the retail network in Taiwan continued to expand with 13 additional shops and 2 counters opened, bringing the total number of outlets to 129 at the end of 1992, an increase of 15 from the previous year. Shop floor area rose 40 percent to 81,800 sq. ft. from 58,400 sq. ft.. In addition to physical expansion, the remarkable growth was also attributable to the improved operational efficiency reflected in a 29 percent increase in sales per square foot and a 37 percent rise in comparable store sales. Installation of the EPOS system in our outlets in Taiwan and the strengthened training program were key factors contributing to the improved efficiency of our operations.

The Taiwan operation is expected to continue to grow and there should still be considerable room to open new outlets especially in the central and southern part of the island. We expect to maintain our strong performance in the medium term as the market matures. Taiwan should soon become our largest market in Asia.

Singapore

	1992	1991	1990
Net Sales (*HK$m*)	**168.9**	123.8	91.8
Sales per sq. ft. (*HK$*)*	**13,200**	10,700	8,100
Comparable store sales increase (%)**	**27**	27	14
Retail floor area (*sq. ft.*)***	**16,900**	10,800	13,100
Number of outlets***	**16** (13 shops 3 counters)	10 (8 shops 2 counters)	13 (10 shops 3 counters)

* On weighted average basis.

** Regarding those outlets which were open for the full 12 months in each of the two financial years under comparison.

*** As at 31st December, 1992.

The operation in Singapore was streamlined and expanded with the closing of several shops in fringe areas at the end of 1991 and the opening of six new outlets in more preferred locations in 1992. The result was a 36.4 percent increase in sales to HK$168.9 million. Sales per square foot increased by 23 percent and comparable store sales were up by 27 percent.

We plan to open a few more shops in Singapore's booming residential districts. As the Singapore economy continues to flourish, our operation there is expected to maintain growth at a satisfactory rate for the coming year.

China

A joint-venture was formed in July 1992 with Mr. Jimmy Lai, our chairman, to expand into the China market. We decided to limit Giordano's initial shareholding to 20 percent but have an option to increase our stake to 51 percent at any time up to July 1995 by converting into equity a loan extended to the joint-venture. Such a capital structure was designed to minimize Giordano's exposure to the business in the early stages of its development.

The strategy employed by Tiger Enterprises Ltd., the joint venture company, was to achieve a reasonable market share as quickly as possible before other brands enter the market, and to establish customer preference for casual wear in China. Therefore, a very aggressive pricing policy was adopted with retail prices kept at a very affordable level. Also a wider range of products was introduced, including a ladies line, which we do not stock in other markets.

This strategy has enabled Tiger to successfully launch Giordano products in China. However, due to the high start-up costs, low margins and write-offs on those products introduced for testing customer preference, Tiger incurred a loss of HK$52 million in 1992, resulting in a loss of HK$10.4 million for the Group on an equity accounting basis. After going through the learning curve, Tiger is making adjustments to its strategy. With these adjustments, we believe there will be significant improvements in its results this year.

The first two stores, with 20,000 and 16,000 sq. ft. of floor space respectively, were opened in Guangzhou at the beginning of last September. Since then two more stores have been opened, one each in Shenzhen and Guangzhou. Tiger's plan for 1993 is to focus on the Pearl River Delta area in south Guangdong with the opening of six to ten stores, mostly of 10,000 sq. ft. or bigger, in major cities like Foshan, Zhuhai, Chungshan, Shunde and Dongguan, in addition to Guangzhou and Shenzhen. The primary form of distribution will be retailing through a chain of directly managed Giordano stores, but a wholesale operation has also been started in order to have wider coverage.

Malaysia

We opened our first outlet in Kuala Lumpur at the beginning of 1992. Since then a total of three shops and four counters have been set up in the city. While the market will offer substantial long term potential due to its relatively large population and surging economy, we only expect moderate growth in the short term due to the high tariffs imposed by the

Malaysian Government. The operation in Malaysia showed a small loss in 1992 but is expected to turn around this year.

Philippines

The retail operation in the Philippines is conducted under a franchise. There were a total of nine shops in operation in Manila in 1992, up from eight shops in 1991. The strong recognition of the Giordano brand in the Philippines contributed to a 56 percent increase in our sales to the franchisee last year. The franchised operation is expected to expand as the political and economic situation in the country improves.

Japan

With the slowing down of the Japanese economy, our activities in Japan in 1992 remained small and unspectacular, although our relationship with Aoyama Trading Company Ltd. continued to expand. Aoyama is currently carrying our products in almost all of its more than 400 stores in Japan. The wider coverage resulted in a 78 percent increase of our sales to Aoyama last year.

We opened a small shop in Tokyo last June. However, due to its limited size and the difficult trading conditions in Japan, it was not profitable. Plans to establish a directly managed retail network have been shelved and no more shops will be opened until a significant improvement in the market conditions in Japan becomes evident.

MANUFACTURING

The Group's two production units further expanded their capacities last year to cope with increased demand, in particular from the retail division. Total output increased 10 percent from 7.9 million garments in 1991 to 8.7 million in 1992 while sales grew 20 percent from HK$374.4 million to HK$449.4 million. Of the sales in 1992, 77 percent were taken up by the retail division (including the joint-venture in China) as compared to 68 percent in 1991.

Our internal capability to efficiently produce quality garments remains a significant factor in maintaining our competitive position in the casual wear retail market in Asia.

The co-operation between the retail and manufacturing divisions resulted in the establishment of a just-in-time (JIT) production scheme in 1992 whereby the lead time for producing and delivering certain core products was substantially reduced. This enabled us to respond faster and more effectively to market demands. The JIT scheme will be extended to include more items this year to provide even greater flexibility.

Knitwear Division

	1992	1991	1990
Sales *(HK$m)*	**347.5**	325.6	254.7
Monthly capacity at year end *(000' dozen)*	**62**	51	45
Workers	**2,696**	2,342	2,021
Percentage of sales to:			
Giordano	**64**	66	54
Japan	**14**	19	16
China	**12**	-	-
USA	**1**	5	23
Korea	**1**	2	1
Taiwan	**3**	6	1
Others	**5**	2	5

Cohin Knitting & Garment Manufacturers Ltd., which produces knitwear garments, increased productivity by focusing more on core products in 1992. A just-in-time production scheme was also established in co-operation with the retailing units. Cohin is now able to produce and deliver basic polo shirts and T-shirts within five days of receiving an order from a customer.

Woven Division

	1992	1991	1990
Sales *(HK$m)*	**101.9**	48.8	87.1
Monthly capacity at year end *(000' pieces)*	**130**	47	60
Workers	**692**	198	559
Percentage of sales to:			
Giordano	**56**	82	52
China	**24**	-	-
Japan	**11**	4	5
USA	**-**	1	1
Taiwan	**3**	-	-
Korea	**1**	3	7
Others	**5**	10	35

With the acquisition of Gloss Mind Ltd., a woven garment factory located in Shenzhen, China, the Group has strengthened its capability in supporting the sourcing of jeans and woven shirts required by the retailing operation. This directly managed production facility allows better control on both quality and cost. Coupled with expanded capacity, the unit has been producing satisfactory results since the middle of 1992. Following Cohin, it has also started a JIT production scheme to cope with the requirements of the retailing division.

FUTURE PROSPECTS

With a stronger penetration of existing major markets and with our entry into new markets, the Group is firmly positioned in the casual wear retail market in Asia. Continued satisfactory growth is expected in the years to come. The firm commitment of our people to always do the best to deliver the greatest value possible to our customers will further strengthen our value-for-money image.

In the short term, the continued expansion of operations in our existing major markets, in particular Taiwan, will sustain a satisfactory rate of growth. Beyond that, we believe our concept of retailing and distributing value for money casual wear with excellent service will be well received by the new markets we are establishing. These new markets will sustain our growth in the longer term.

In order to cope with this anticipated growth, we will, as much as possible, direct our resources to develop and train our people and to invest in the latest information technology. Our production facilities will be expanded and upgraded to enable the greatest volume and cost benefits to be achieved to meet market competition.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Giordano Holdings Limited (佐丹奴企業有限公司) will be held at the Bamboo Room, 1st Floor, Mandarin Oriental Hotel, Central, Hong Kong on Thursday, 20th May, 1993 at 9:30 a.m. for the following purposes :

1. To receive and consider the audited accounts and the reports of the directors and auditors for the year ended 31st December, 1992.
2. To declare a final dividend.
3. To elect directors.
4. To appoint auditors and authorize the directors to fix their remuneration.
5. To consider and, if thought fit, pass with or without amendments, the following resolutions as Ordinary Resolutions :-

ORDINARY RESOLUTIONS

(1) "THAT

(a) subject to paragraph (c) below, a general mandate be and is hereby unconditionally given to the directors of the Company during the Relevant Period to allot, issue or otherwise deal with additional shares in the capital of the Company pursuant to Section 57B of the Companies Ordinance and to make or grant offers, agreements and options which might require the exercise of such power;

(b) the approval in paragraph (a) above shall authorize the directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers at any time during or after the end of the Relevant Period;

(c) the aggregate nominal amount of share capital which may be allotted, issued or otherwise dealt with by the directors of the Company pursuant to the mandate given in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue; (ii) the exercise of rights of subscription or conversion under the terms of any warrants or other securities issued by the Company carrying a right to subscribe for or purchase shares of the Company; or (iii) the exercise of any option under the share option scheme of the Company which has been approved by the Company, shall not exceed 20 percent of the total nominal amount of the share capital of the Company in issue as at the date of this Resolution; and

(d) for the purpose of this Resolution:-

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of :-

i) the conclusion of the next annual general meeting of the Company;

ii) the expiration of the period within which the next annual general meeting of the Company is required by the Companies Ordinance to be held; and

iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

"Rights Issue" means an offer of shares open for a period fixed by the directors of the Company to holders of shares on the register of members on a fixed record date in proportion to their holdings of shares (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws or regulations in any territory outside Hong Kong)."

(2) "THAT

(a) subject to paragraph (b) below, a general mandate be and is hereby unconditionally given to the directors of the Company during the Relevant Period to exercise all powers of the Company to purchase shares in the capital of the Company subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited or of any other applicable stock exchange as amended from time to time;

(b) the aggregate nominal amount of shares of the Company to be purchased by the Company pursuant to the approval in paragraph (a) above shall not exceed 10 percent of the aggregate nominal amount of the share capital of the Company in issue at the date of this Resolution and the said approval shall be limited accordingly;

(c) subject to the passing of Ordinary Resolution (1) as set out in the notice convening this meeting, the general mandate granted to the directors of the Company under the said Resolution (1) to issue, allot or otherwise deal with additional shares of the Company during the Relevant Period be and is hereby extended by the addition of an amount representing the aggregate nominal amount of shares in the capital of the Company purchased by the Company pursuant to the exercise by the directors of the Company of the powers of the Company to purchase such shares, provided that such amount shall not exceed 10 percent of the aggregate nominal amount of the share capital of the Company in issue at the date of this Resolution; and

(d) the expression "Relevant Period" shall for the purpose of this Resolution have the same meaning as assigned to it under Ordinary Resolution (1) set out in the notice convening this meeting."

(3) "THAT the directors of the Company be and are hereby authorized from the date of the passing of this Resolution up to the date of the next following annual general meeting of the Company (both dates inclusive) to effect and arrange further purchases of garment products as trading stock by the Company and its subsidiaries (the "Group") from Comitex Holdings Limited and its subsidiaries (the "Comitex Group") provided that any further such purchase shall always have to be approved or ratified by a committee of the board of directors of the Company comprising at least two non-executive directors of the Company having no interest (whether directly or indirectly) in the transaction being considered for approval, such committee having satisfied itself that the relevant purchase is being or has been made on normal commercial terms and in the ordinary and usual course of business of the relevant member of the Group."

(4) "THAT

(a) the sourcing of raw materials and the processing of garments and other accessories during the period between the date of the passing of this Resolution up to the date of the next following annual general meeting of the Company (both dates inclusive) (the "Relevant Period") by Cohin Knitting & Garment Manufacturers Limited ("Cohin") and Gloss Mind Limited ("Gloss Mind") for a joint venture formed by the Company with Mr. Jimmy Lai Chee Ying on 20th July, 1992 (the "Joint Venture Operation") pursuant to the terms and conditions of certain garment processing agreements (the "Garment Processing Agreements") entered into between the Joint Venture Operation and each of Cohin and Gloss Mind respectively on 20th July, 1992 be and is hereby approved subject always that each transaction effected pursuant to the Garment Processing Agreements shall require the approval or ratification by a committee of the board of directors of the Company comprising at least two non-executive directors of the Company having no interest (whether directly or indirectly) in such transaction, such committee having satisfied itself that the relevant transaction is being or has been made on normal commercial terms and in the ordinary and usual course of business of Cohin or Gloss Mind (as the case may be); and

(b) the Joint Venture Operation be and is hereby authorized during the Relevant Period to retain Comitex Holdings Limited and/or any of its subsidiaries for the purposes of sourcing raw materials and processing garments and other accessories for the business of the Joint Venture Operation subject always that each transaction effected pursuant to the said arrangements shall require the approval or ratification by a committee of the board of directors of the Company comprising two non-executive directors of the Company having no interest (whether directly or indirectly) in such transaction, such committee having satisfied itself that the relevant transaction is being or has been made on normal commercial terms and in the ordinary and usual course of business of the Joint Venture Operation."

By Order of the Board

Jimmy Chan Kui Tim

Secretary

Dated 26th April, 1993

Notes :

(1) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.

(2) To be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited at the Company's share registrars, Abacus (Hong Kong) Limited, 2201 Sunning Plaza, 10 Hysan Avenue, Hong Kong not less than 48 hours before the time appointed for holding the meeting and any adjourned meeting.

(3) The register of members of the Company will be closed from 13th May, 1993 to 20th May, 1993, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend (which will be payable on or about 21st May, 1993) to be approved at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Abacus (Hong Kong) Limited, 2201 Sunning Plaza, 10 Hysan Avenue, Hong Kong not later than 5:00 p.m. on 12th May, 1993.

(4) An explanatory statement containing the information regarding the Ordinary Resolutions set out in the above notice will be sent to shareholders with the Company's 1992 Annual Report.

Report of the Directors

The directors have pleasure in submitting their report together with the audited accounts for the year ended 31st December, 1992.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal business of the Group is the retailing and distribution of "value for money" casual apparel and accessories under the GIORDANO brand. The Group also carries on an apparel manufacturing operation which supports the Group's retailing business and supplies products to third parties.

An analysis of the Group's turnover and contributions to operating profit by activities is as follows:

	Turnover	Contributions
	HK$'000	HK$'000
Retail & distribution	1,492,558	132,505
Manufacturing	168,806	23,464
	1,661,364	155,969

The geographical analysis of the Group's turnover is as follows:

	HK$'000
Hong Kong	666,306
Taiwan	626,651
Singapore	168,890
Japan	86,738
China	67,818
Philippines	16,881
Malaysia	6,971
Korea	4,087
United States of America	3,829
Indonesia	3,263
Macau	1,138
Other territories	8,792
	1,661,364

FINANCIAL INFORMATION

The results and changes in financial position of the Group for the year ended 31st December, 1992 and the state of affairs of the Company and of the Group as at that date, are set out in the accounts on pages 28 to 49.

COMPARATIVE FINANCIAL INFORMATION

The following table summarises the results, assets and liabilities of the Group for the five years ended 31st December, 1992, which assumes that the Group structure which became effective in June, 1991 had been in existence throughout the periods prior to June, 1991. The results and financial position of the Group for the year ended 31st December, 1992 have been prepared on a consolidated basis.

	Consolidated	**Proforma Combined Basis**			
	1992	1991	1990	1989	1988
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Turnover	**1,661,364**	1,169,622	892,337	711,564	498,293
Profit before taxation	**145,569**	107,695	61,072	38,513	25,263
Taxation	**30,478**	22,565	15,571	9,779	4,111
Profit for the year	**115,091**	85,130	45,501	28,734	21,152
Assets					
Intangible assets	**3,707**	6,884	10,954	15,283	19,197
Fixed assets	**100,353**	57,859	39,002	44,390	42,252
Interest in an associated company	**20,200**	0	0	0	0
Other investments	**1,956**	1,777	834	128	128
Current assets	**620,208**	399,157	278,488	228,417	197,378
Total assets	**746,424**	465,677	329,278	288,218	258,955

	Consolidated	Proforma Combined Basis			
	1992	1991	1990	1989	1988
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Liabilities					
Current liabilities	**381,303**	179,895	269,021	252,055	252,060
Deferred taxation	**3,444**	2,543	1,627	1,302	1,300
Total liabilities	**384,747**	182,438	270,648	253,357	253,360
Net assets	**361,677**	283,239	58,630	34,861	5,595

DIVIDENDS

An interim dividend of 2.5 cents per share was paid on 9th September, 1992. The directors recommend the payment of a final dividend of 5 cents per share for the financial year ended 31st December, 1992.

SHARE CAPITAL

Details of the movements in the authorised and issued capital of the Company during the year are shown in note 18 to the accounts on page 43. Details of share options granted by the Company during the year are set out in note 18 to the accounts on page 43.

RESERVES

Movements in reserves during the year are set out in note 19 to the accounts on page 44.

FIXED ASSETS

During the year, the Group acquired fixed assets of approximately HK$78 million. The principal components of these assets relate to the leasehold improvements, furniture and fixtures for the Group's retail operations in Taiwan and Hong Kong.

Movements in fixed assets during the year are set out in note 11 to the accounts on pages 39 and 40.

SUBSIDIARIES

Details of the Company's subsidiaries at 31st December, 1992 are set out in note 24 to the accounts on pages 47 to 49.

CHARITABLE DONATIONS

Donations made for charitable purposes by the Group during the year amounted to HK$304,611 (1991: HK$75,895).

DIRECTORS

The directors who held office during the year and up to the date of this report were:

Mr. Lai Chee Ying, Jimmy
Mr. Lee Kwok Cheung, Brian
Mr. Lau Kwok Kuen, Peter
Mr. Barry John Buttifant
Mr. Edward James Wu
Mr. Wang Xin Wen

Mr. Lai Chee Ying, Jimmy retires in accordance with article 77 of the Company's Articles of Association and, being eligible, offers himself for re-election.

DIRECTORS' INTERESTS IN CONTRACTS

(1) In January, 1992, Comitex Holdings Limited sold and assigned all of its interests in one of its wholly-owned subsidiaries, Gloss Mind Limited, including the benefit of a shareholder's loan owing by Gloss Mind Limited to Comitex Holdings Limited, in favour of the Company for a total consideration of HK$8,500,000.

(2) In June,1992, the Company entered into an agreement with Mr. Lai Chee Ying, Jimmy and Tiger Enterprises Limited ("Tiger") pursuant to which the Company and Mr. Lai Chee Ying, Jimmy have agreed to become shareholders of Tiger in the proportion of 2:8. In this connection, the Company had subscribed for 200,000 ordinary shares in Tiger at par for HK$200,000 and had also made available to Tiger a loan of HK$30,400,000 for working capital purposes. Pursuant to the terms of that agreement, the Company had also in July, 1992, entered into an option agreement with Mr. Lai Chee Ying, Jimmy and Tiger, pursuant to which the Company and Mr. Lai Chee Ying, Jimmy shall have the right (to be exercised simultaneously) to subscribe for further shares in Tiger resulting in a shareholding ratio of 51:49. As part of the above transaction, the following agreements were entered into by the Group;

   (i) a garment processing agreement dated 20th July, 1992 was entered into between Gloss Mind Limited as supplier and Shenzhen Tiger Garment Limited (a subsidiary of Tiger) for the sourcing of raw materials and processing the garment products;

(ii) another garment processing agreement dated 20th July, 1992 was entered into between Cohin Knitting & Garment Manufacturers Limited and Shenzhen Tiger Garment Limited for the sourcing of raw materials and processing the garment products; and

(iii) a licensing agreement dated 20th July, 1992 was entered into between Tiger and Giordano Limited for the purposes of licensing Tiger (which will have a right to grant non-exclusive sub-licences) to use the "Giordano" mark and brandname on an exclusive basis (except in relation to the manufacture of the relevant goods for export out of the People's Republic of China ("PRC")) in relation to the manufacture and retail of garments and other accessories within the PRC in return for royalty payments.

(3) During the year, the Group, under an arrangement established in prior year, purchased sweaters from Comitex Knitters Limited, a subsidiary of Comitex Holdings Limited, amounting to HK$99,121,000 (1991: HK$91,852,000). In addition, the Group has sourcing and garment processing transactions under the garment processing agreements and royalties income under the licensing agreement as stated in the preceding paragraph totalling HK$70,928,000 (1991: nil) from Tiger. The directors consider that the above transactions have been made in the normal course of business of the Group.

Mr. Lai Chee Ying, Jimmy as director of the Company was interested in the aforesaid transactions as he has beneficial interests in both Comitex Holdings Limited and Tiger.

Apart from the above, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which any director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SHARE CAPITAL

At 31st December, 1992, the interests of the directors in the share capital of the Company were as follows:

Director	Number of shares held				Number of options held beneficially
	Personal	Family	Corporate	Total	
Lai Chee Ying, Jimmy	254,526,481	--	--	254,526,481	--
Lee Kwok Cheung, Brian	246,000	--	--	246,000	2,700,000
Lau Kwok Kuen, Peter	--	--	--	--	3,500,000

Apart from the above, none of the directors and their associates had any interest in the share capital of the Company or its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "Ordinance")) which have to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to section 28 of the Ordinance (including interests which they are deemed or taken to have under section 31 or Part I of the Schedule to the Ordinance) or which are required, pursuant to section 29 of the Ordinance to be entered in the register referred to therein.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the year, options to subscribe for 750,000 ordinary shares of the Company at HK$1.46 per share were granted to the directors of the Company, Mr. Lee Kwok Cheung, Brian and Mr. Lau Kwok Kuen, Peter.

During the year, options for 6,300,000 shares have been exercised as follows:

Director	Number of options exercised	Exercised price per share
		HK$
Lee Kwok Cheung, Brian	4,800,000	0.81
Lau Kwok Kuen, Peter	1,500,000	0.81

Apart from the above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL INTEREST IN THE SHARE CAPITAL OF THE COMPANY

At 31st December, 1992 the following information was recorded in the register kept by the Company under section 16 of the Ordinance:

Name of holder of shares	Number of shares
Lai Chee Ying, Jimmy	254,526,481
China Resources (Holdings) Co. Limited	63,776,786

Save as disclosed above, the directors are not aware of any other person having an interest in shares representing 10 percent or more of the issued share capital of the Company.

SERVICE CONTRACTS

There are no service contracts between any director of the Company proposed for re-election at the forthcoming annual general meeting and the Company or any of its subsidiaries.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

The Group had no bank loans and overdrafts outstanding at 31st December, 1992. Details of other borrowings and banking facilities utilised as at 31st December, 1992 are set out in notes 16 and 23 to the accounts on pages 42 and 46 respectively.

AUDITORS

A resolution to reappoint the retiring auditors, Coopers & Lybrand, will be submitted at the Annual General Meeting.

On behalf of the board

LEE KWOK CHEUNG, BRIAN
Chief Executive
Hong Kong, 26th March, 1993

Report of the Auditors

To the members of
GIORDANO HOLDINGS LIMITED

We have audited the accounts set out on pages 28 to 49 in accordance with Auditing Standards.

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and the Group at 31st December, 1992 and of the profit and changes in financial position of the Group for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

COOPERS & LYBRAND

Certified Public Accountants
Hong Kong, 26th March, 1993

Consolidated Profit and Loss Account

For the year ended 31st December, 1992

	Note	**1992** **HK$'000**	1991 HK$'000	**Proforma combined results** (note 1) 1991 HK$'000
Turnover	3	**1,661,364**	1,043,125	1,169,622
Operating profit	4	**155,969**	91,075	107,695
Share of loss of an associated company		**(10,400)**	0	0
Profit before taxation		**145,569**	91,075	107,695
Taxation	6	**(30,478)**	(17,901)	(22,565)
Profit attributable to the members	7	**115,091**	73,174	85,130
Appropriation:				
Dividends	8	**(46,545)**	(30,048)	
Retained profit for the year	19	**68,546**	43,126	
Earnings per share	9	**19.0¢**	18.8¢	15.8¢

The notes on pages 32 to 49 form an integral part of these accounts.

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Balance Sheets

At 31st December, 1992

		Group		Company	
		1992	1991	**1992**	1991
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Employment of capital					
Intangible assets	10	**3,707**	6,884	**0**	0
Fixed assets	11	**100,353**	57,859	**11,189**	6,945
Interest in subsidiaries	12	**0**	0	**667,498**	642,871
Interest in an associated company	13	**20,200**	0	**30,600**	0
Other investments	14	**1,956**	1,777	**1,881**	1,660
Current assets	15	**620,208**	399,157	**8,153**	14,856
Current liabilities	16	**(381,303)**	(179,895)	**(35,473)**	(35,929)
Net current assets/(liabilities)		**238,905**	219,262	**(27,320)**	(21,073)
		365,121	285,782	**683,848**	630,403
Capital employed					
Share capital	18	**61,593**	60,000	**61,593**	60,000
Reserves	19	**300,084**	223,239	**620,996**	569,644
Shareholders' funds		**361,677**	283,239	**682,589**	629,644
Deferred taxation	20	**3,444**	2,543	**1,259**	759
		365,121	285,782	**683,848**	630,403

Approved by the Board of Directors on 26th March, 1993

LEE KWOK CHEUNG, BRIAN
Director

BARRY JOHN BUTTIFANT
Director

The notes on pages 32 to 49 form an integral part of these accounts.

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Consolidated Statement of Changes in Financial Position

For the year ended 31st December, 1992

	1992	1991
	HK$'000	HK$'000
Source of funds		
Profit before taxation	**145,569**	91,075
Adjustments for items not involving the movement of funds:		
Share of loss of an associated company	**10,400**	0
Depreciation and amortisation	**42,996**	24,695
Loss on disposal of fixed assets	**1,281**	509
Profit on disposal of investment	**0**	(203)
Total generated from operations	**200,246**	116,076
Funds from other sources:		
Proceeds from disposal of fixed assets	**938**	610
Proceeds from disposal of investment	**0**	255
Proceeds from disposal of permanent quotas	**93**	0
Exchange differences on translation of overseas subsidiaries	**1,463**	2,337
Issue of shares	**13,647**	222,000
	216,387	341,278
Application of funds		
Share issuing expenses	**73**	14,971
Tax paid	**26,545**	15,183
Purchases of fixed assets	**77,696**	42,651
Purchases of investments	**1,161**	988
Purchases of other intangible assets	**365**	0
Acquisition of and loan advanced to an associated company	**30,600**	0
Dividends paid	**45,564**	0
Acquisition of subsidiaries	**0**	39,900
	182,004	113,693
	34,383	227,585

The notes on pages 32 to 49 form an integral part of these accounts.

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	1992	1991
	HK$'000	HK$'000
Changes in working capital		
Inventories	**144,285**	96,386
Trade, bills and other receivables, deposits and prepayments	**70,889**	(54,231)
Trade, bills and other payables and accruals	**(184,787)**	133,648
Movement in net liquid funds	**3,996**	51,782
	34,383	227,585

Summary of the effects of the acquisition of subsidiaries during the year:

	HK$'000
Fixed assets	**5,525**
Inventories	**2,545**
Accounts receivable and prepayments	**1,892**
Cash and bank balances	**446**
Shareholder's loan payable to Comitex Holdings Limited	**(8,500)**
Accounts payable, other payables and accruals	**(4,124)**
Bank loans and overdrafts	**(3,002)**
Net liabilities acquired	**(5,218)**
Goodwill on consolidation	**5,218**
Consideration paid for share capital	**0**

The notes on pages 32 to 49 form an integral part of these accounts.

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Notes to the Accounts

At 31st December, 1992

1. BASIS OF PRESENTATION OF PROFORMA COMBINED RESULTS

To facilitate the comparison of results, the directors consider that it is more meaningful to include the combined results of the Group for the year ended 31st December, 1991 as if the group structure which became effective in June, 1991 had been in existence throughout that year.

2. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated accounts incorporate the audited accounts of Giordano Holdings Limited and its subsidiaries made up to 31st December, 1992.

The results of subsidiaries acquired during the year are dealt with in the consolidated profit and loss account from the effective dates of acquisition.

Capital reserve or goodwill arising on consolidation represents the excess or deficit of the fair value of the net assets of the subsidiaries at the dates of acquisition over the value of the consideration paid.

The capital reserve and goodwill arising on consolidation are offset against each other and the net amount is written off against reserves or included in reserves, where appropriate.

All material intercompany transactions and balances within the Group are eliminated on consolidation.

(b) Subsidiaries

Investment in subsidiaries are carried at cost, unless, in the opinion of the directors, there has been a permanent diminution in value when they are written down to directors' valuation.

(c) Associated company

An associated company is a company, other than a subsidiary in which the Group holds, not less than 20 percent and not more than 50 percent of the equity as a long term investment and exercises a significant influence in its management. The associated company is accounted for under the equity method of accounting.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(d) Fixed assets

Depreciation on fixed assets is calculated to write off their costs on a straight line basis over their expected useful lives to the Group. The principal annual rates used for this purpose are:

Leasehold improvements	20% - 50%
Plant and machinery	20%
Furniture and fixtures	20% - 50%
Office equipment	20% - 25%
Motor vehicles	20% - 25%
Leisure boat	20%

(e) Export quota entitlements

Purchased permanent export quota entitlements are capitalised and amortised over five years. Temporary export quota entitlements acquired are expensed in the year in which they are utilised. Export quota entitlements allocated by the authorities in Hong Kong are not capitalised and are not included as assets in the accounts.

(f) Other intangible assets

Preliminary expenses in respect of retail shops and office premises are written off over the terms of the respective leases.

(g) Other investments

Purchased club debentures are capitalised and amortised over three years with effect from this year.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and is arrived at as follows:

(i) Raw materials and purchased goods - invoiced prices plus procurement costs.

(ii) Work in progress and finished goods - cost of direct materials, direct labour and an appropriate proportion of production overheads.

Net realisable value is the price at which inventories can be sold in the normal course of business after allowing for the costs of realisation and, where appropriate, the cost of conversion from their existing state to a finished condition.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(i) Taxation

The charge for taxation is based on the profit for the year as adjusted for items which are non-assessable or disallowable. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the accounts. The tax effect of timing differences, computed under the liability method, is recognised in the accounts to the extent that it is probable a liability or asset will crystallise in the foreseeable future.

(j) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are incorporated into the accounts by translating foreign currencies into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. Exchange differences arising are included in operating results.

The accounts of overseas subsidiaries and branches at the year end are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. Exchange differences arising on the translation of share capital and opening reserves of these entities are taken directly to exchange reserve.

(k) Operating leases

Rentals applicable to operating leases, under which substantially all the benefits and risks of the ownership remain with the lessor, are charged to the profit and loss account as incurred.

3. TURNOVER

Turnover comprises sales at invoiced value to customers outside the Group, less returns and discounts.

4. OPERATING PROFIT

	Group	
	1992	1991
	HK$'000	HK$'000
The operating profit is stated after charging:		
Auditors' remuneration	**1,028**	874
Amortisation of intangible assets	**3,449**	2,904
Depreciation of fixed assets	**38,567**	21,791
Amortisation of other investments	**980**	0
Interest on bank loans and overdrafts repayable within 5 years	**462**	630
Interest on other borrowings repayable within 5 years	**0**	978
Operating lease rentals in respect of retail shops, office premises, factories and warehouses	**250,408**	159,759
and after crediting:		
Interest income	**1,500**	3,584
Net income arising from temporary transfer of export quota entitlements	**5,784**	4,613
Net gain on exchange	**1,624**	5,603

5. DIRECTORS' EMOLUMENTS

The aggregate amounts of the directors' emoluments disclosed pursuant to Section 161 of the Companies Ordinance are as follows:

	Group	
	1992	1991
	HK$'000	HK$'000
As directors	**350**	300
For management	**9,600**	7,799
	9,950	8,099

6. TAXATION

(a) The charge for taxation in the consolidated profit and loss account represents:

	Group	
	1992	1991
	HK$'000	HK$'000
Hong Kong profits tax	**5,002**	6,276
Overseas taxation	**24,564**	10,745
Deferred taxation (Note 20)	**912**	880
	30,478	17,901

The provision for taxation of the Company and its Hong Kong subsidiaries is calculated by applying the current rate of taxation of 17.5% (1991: 16.5%) to the estimated assessable profits earned in or derived from Hong Kong during the year.

Taxation on the profits of other subsidiaries operating overseas is calculated at the rates applicable in the respective jurisdictions.

(b) Taxation in the balance sheet represents the amount provided for Hong Kong profits tax and overseas taxation less provisional tax paid.

7. PROFIT ATTRIBUTABLE TO THE MEMBERS

Included in the profit of HK$115,091,000 (1991: HK$73,174,000), attributable to the members of Giordano Holdings Limited is HK$85,916,000 (1991: HK$452,663,000), including dividends from subsidiaries amounting to HK$84,974,000 (1991: HK$446,147,000), which has been dealt with in the accounts of the Company.

8. DIVIDENDS

	1992	1991
	HK$'000	HK$'000
Interim dividend of 2.5 cents (1991: nil) per share paid on 9th September 1992	**15,516**	0
Special cash dividend (1991: 1 cent per share)	**0**	6,010
Proposed final dividend of 5 cents (1991: 4 cents) per share	**31,029**	24,038
	46,545	30,048

9. EARNINGS PER SHARE

(a) The calculation of earnings per share for 1992 is based on the consolidated operating profit attributable to the members for the year of HK$115,091,000 (1991: HK$73,174,000) and the weighted average of 606,866,075 shares (1991: 389,394,015 shares) in issue during that year.

(b) The calculation of combined earnings per share for 1991 is based on the combined profit after taxation for the year of HK$85,130,000 and the weighted average of 537,500,000 shares that would have been in issue during the year on the basis of presentation as set out in note 1 to the accounts on page 32.

10. INTANGIBLE ASSETS

	Group	
	1992	1991
	HK$'000	HK$'000
Purchased permanent export quota entitlements	**17,019**	17,112
Less: Amounts amortised	**(13,615)**	(10,367)
	3,404	6,745
Other intangible assets	**1,679**	1,817
Less: Amounts amortised	**(1,376)**	(1,678)
	303	139
Total intangible assets	**3,707**	6,884

Other intangible assets include the preliminary expenses and lease premium in respect of retail shops and office premises.

11. FIXED ASSETS

	Plant & machinery	Leasehold improvements, furniture, fixtures & equipment	Motor vehicles & leisure boat	Total
	HK$'000	HK$'000	HK$'000	HK$'000
The Group:				
Cost				
At 1st January, 1992	17,391	105,695	6,663	129,749
Translation difference	0	(8)	(3)	(11)
On acquisition of subsidiaries	4,627	1,475	111	6,213
Additions	8,791	64,356	4,549	77,696
Disposals	(125)	(15,299)	(1,105)	(16,529)
At 31st December, 1992	30,684	156,219	10,215	197,118
Aggregate depreciation				
At 1st January, 1992	9,627	59,664	2,599	71,890
Translation difference	0	(69)	(1)	(70)
On acquisition of subsidiaries	629	57	2	688
Charge for the year	4,314	32,374	1,879	38,567
Disposals	(84)	(13,701)	(525)	(14,310)
At 31st December, 1992	14,486	78,325	3,954	96,765
Net book value at 31st December, 1992	16,198	77,894	6,261	100,353
Net book value at 31st December, 1991	7,764	46,031	4,064	57,859

11. FIXED ASSETS (CONT'D)

	Furniture, fixtures & equipment	Motor vehicles & leisure boat	Total
	HK$'000	HK$'000	HK$'000
The Company:			
Cost			
At 1st January, 1992	6,830	1,045	7,875
Additions	7,684	0	7,684
Disposals	(1,903)	0	(1,903)
At 31st December, 1992	12,611	1,045	13,656
Aggregate depreciation			
At 1st January, 1992	733	197	930
Charge for the year	2,029	312	2,341
Disposals	(804)	0	(804)
At 31st December, 1992	1,958	509	2,467
Net book value at 31st December, 1992	10,653	536	11,189
Net book value at 31st December, 1991	6,097	848	6,945

12. INTEREST IN SUBSIDIARIES

	Company	
	1992	1991
	HK$'000	HK$'000
Unlisted shares, at cost	**442,570**	441,922
Amounts due from subsidiaries	**224,928**	200,949
	667,498	642,871

During the year, the Company acquired from Comitex Holdings Limited the entire issued share capital of Gloss Mind Limited and the shareholder's loan for a total cash consideration of HK$8,500,000.

Details of subsidiaries are set out in note 24 to the accounts on pages 47 to 49.

13. INTEREST IN AN ASSOCIATED COMPANY

	Group		Company	
	1992	1991	**1992**	1991
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted shares, at cost	**0**	0	**200**	0
Share of net liabilities	**(10,200)**	0	**0**	0
Loan to an associated company	**30,400**	0	**30,400**	0
	20,200	0	**30,600**	0

At 31st December, 1992, the Group had an effective 20 percent interest in the equity of Tiger Enterprises Limited ("Tiger") which was incorporated in Hong Kong. Tiger and its subsidiaries ("Tiger group") are engaged in the manufacture, wholesale and retail distribution of garments and other accessories, under the "GIORDANO" brand, in the People's Republic of China.

14. OTHER INVESTMENTS

	Group		Company	
	1992	1991	**1992**	1991
	HK$'000	HK$'000	**HK$'000**	HK$'000
Club debentures, at cost	**2,936**	1,777	**2,821**	1,660
Less: amounts amortised	**(980)**	0	**(940)**	0
	1,956	1,777	**1,881**	1,660

15. CURRENT ASSETS

	Group		Company	
	1992	1991	**1992**	1991
	HK$'000	HK$'000	**HK$'000**	HK$'000
Inventories (Note 17)	**389,603**	242,773	**0**	58
Trade and bills receivable	**73,186**	42,647	**270**	637
Other receivables, deposits and prepayments	**84,690**	42,448	**1,372**	699
Bank and cash balances	**72,729**	71,289	**6,511**	13,462
	620,208	399,157	**8,153**	14,856

16. CURRENT LIABILITIES

	Group		Company	
	1992	1991	**1992**	1991
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade and bills payable	**210,183**	64,173	**0**	0
Other payables and accruals	**115,896**	64,495	**4,324**	5,664
Taxation (Note 6(b))	**24,195**	21,179	**120**	217
Proposed dividends	**31,029**	30,048	**31,029**	30,048
	381,303	179,895	**35,473**	35,929

17. INVENTORIES

	Group		Company	
	1992	1991	**1992**	1991
	HK$'000	HK$'000	**HK$'000**	HK$'000
Raw materials	**40,716**	7,913	**0**	0
Work in progress	**64,383**	52,373	**0**	0
Finished goods	**284,504**	182,487	**0**	58
	389,603	242,773	**0**	58

18. SHARE CAPITAL

	1992	1991
	HK$'000	HK$'000
Authorised:		
800,000,000 ordinary shares of HK$0.10 each	**80,000**	80,000
Issued and fully paid:		
615,925,000 ordinary shares of HK$0.10 each (1991: 600,000,000 ordinary shares of HK$0.10 each)	**61,593**	60,000

On 28th February, 1992, options to subscribe for 7,600,000 shares at HK$1.46 per share were granted to certain directors and employees under the employee share option scheme ("the scheme"). These options can be exercised at any time during the period commencing six calendar months after the date of grant and expiring on the fifth anniversary date of grant. During the year, 15,925,000 options granted under the scheme were exercised. In this connection, the Company issued and allotted 14,775,000 shares and 1,150,000 shares of HK$0.10 per share at a premium of HK$0.71 and HK$1.36 per share respectively for cash to certain directors and employees of the Group who have exercised their share options under the scheme.

Subsequent to the balance sheet date, the Company has issued and allotted 2,150,000 shares and 2,500,000 shares of HK$0.10 each at a premium of HK$0.71 and HK$1.36 per share respectively for cash to employees of the Group who have exercised their share options under the scheme.

19. RESERVES

	Group		Company	
	1992	1991	**1992**	1991
	HK$'000	HK$'000	**HK$'000**	HK$'000
(a) Share premium:				
Balance at 1st January	**147,029**	0	**147,029**	0
Arising on issue of new shares during the year	**12,054**	162,000	**12,054**	162,000
Share issuing expenses	**(73)**	(14,971)	**(73)**	(14,971)
Balance at 31st December	**159,010**	147,029	**159,010**	147,029
(b) Capital reserve:				
Balance at 1st January	**0**	0	**380,000**	0
Transfer from retained profits	**0**	0	**0**	380,000
Balance at 31st December	**0**	0	**380,000**	380,000
(c) Exchange reserve:				
Balance at 1st January	**4,066**	1,265	**0**	0
Exchange differences arising from translation of the accounts of overseas subsidiaries and branches	**1,536**	2,801	**0**	0
Balance at 31st December	**5,602**	4,066	**0**	0
(d) Retained profits:				
Balance at 1st January	**72,144**	30,681	**42,615**	0
Retained profit for the year	**68,546**	43,126	**39,371**	422,615
Goodwill arising on consolidation written off	**(5,218)**	(1,663)	**0**	0
Transfer to capital reserve	**0**	0	**0**	(380,000)
Balance at 31st December	**135,472**	72,144	**81,986**	42,615
Total reserves at 31st December	**300,084**	223,239	**620,996**	569,644

20. DEFERRED TAXATION

	Group		Company	
	1992	1991	**1992**	1991
	HK$'000	HK$'000	**HK$'000**	HK$'000
Balance at 1st January	**2,543**	1,013	**759**	0
Translation difference on opening balance	**(11)**	31	**0**	0
Deferred tax liabilities of subsidiaries acquired	**0**	619	**0**	0
Transfer from profit and loss account (Note 6(a))	**912**	880	**500**	759
Balance at 31st December	**3,444**	2,543	**1,259**	759

The deferred tax liabilities which arise mainly from accelerated depreciation allowances have been fully provided for in these accounts. The deferred tax asset in respect of tax losses not taken up in the consolidated accounts as at 31st December, 1992 arising from the deduction of the GIORDANO trademark valued at HK$380,000,000 for tax purpose, was HK$55,153,000 (1991: HK$61,891,000).

21. RELATED PARTY TRANSACTIONS

During the year, the Group, in the normal course of business, entered into the following transactions with certain related companies:

	Group	
	1992	1991
	HK$'000	HK$'000
Purchases of sweaters from Comitex Knitters Limited	**99,121**	91,852
Income arising from sourcing of raw materials and garment processing and royalties income from Tiger and its subsidiaries	**70,928**	0

22. COMMITMENTS

At 31st December, 1992, the Group had minimum commitments under operating leases in respect of retail shops, office premises, factories and warehouses to make payments in the next year as set out below:

	Group	
	1992	1991
	HK$'000	HK$'000
Operating leases which expire:		
Within one year	**32,320**	40,459
In the second to fifth years inclusive	**129,722**	81,498
Over five years	**0**	2,496
	162,042	124,453

23. CONTINGENT LIABILITIES

At 31st December, 1992, the Group had contingent liabilities not included in the accounts in respect of the following:

	Group	
	1992	1991
	HK$'000	HK$'000
(a) Export bills discounted with recourse	**4,309**	5,680
(b) Letters of credit issued but not yet utilised	**35,111**	7,046
(c) Bank guarantees in lieu of utility deposits	**7,008**	3,103
(d) Guarantee notes to vendor	**5,339**	0
	51,767	15,829

Trade financing facilities granted by banks to certain subsidiaries were guaranteed by the Company. At 31st December, 1992, the amount of such facilities utilised was HK$51,767,000.

24. SUBSIDIARIES

At 31st December, 1992 the Company held shares in the following subsidiaries:-

Name of subsidiary	Country of incorporation	Effective percentage of equity holding 1992	1991	Issued and fully paid share capital	Principal activities and country of operation
Giordano Limited	Hong Kong	**100**	100	Ordinary HK$5,000,000	Retailing of apparel and accessories in Hong Kong
Giordano Originals (Singapore) Private Limited	Republic of Singapore	**100**	100	Ordinary S$1,900,002	Retailing of apparel and accessories in Singapore
East Jean Limited	Hong Kong	**100**	100	Ordinary HK$1,000,000	Retailing of apparel and accessories in Taiwan
Giordano (Japan) Limited	Japan	**100**	-	Ordinary Yen10,000,000	Retailing of apparel and accessories in Japan
Giordano (Macau) Limited	Macau	**100**	-	Ordinary MOP50,000	Retailing of apparel and accessories in Macau

24. SUBSIDIARIES (CONT'D)

Name of subsidiary	Country of incorporation	Effective percentage of equity holding 1992	1991	Issued and fully paid share capital	Principal activities and country of operation
Aktiviti Padu (M) Sdn. Bhd.	Malaysia	**100**	-	Ordinary M$2	Retailing of apparel and accessories in Malaysia
Cohin Knitting & Garment Manufacturers Limited	Hong Kong	**100**	100	Ordinary HK$2,000 Non-voting deferred HK$3,261,000	Manufacturing of fine knitwear in Hong Kong and the People's Republic of China
Gloss Mind Limited	Hong Kong	**100**	-	Ordinary HK$2	Manufacturing of woven products in the People's Republic of China
Walton International Limited	Cayman Islands	**100**	100	Ordinary US$102	Licensing of trademarks in Hong Kong

24. SUBSIDIARIES (CONT'D)

Name of subsidiary	Country of incorporation	Effective percentage of equity holding 1992	1991	Issued and fully paid share capital	Principal activities and country of operation
St. Hooks Brothers Limited	Hong Kong	**100**	100	Ordinary HK$2	Dormant
Uniform Master Limited	Hong Kong	**100**	100	Ordinary HK$2	Dormant
Giordano International Limited	Cayman Islands	**100**	100	Ordinary US$2	Dormant
Master Trend Garments Limited	Hong Kong	**100**	-	Ordinary HK$2	Dormant
CG Limited	Hong Kong	**100**	100	Ordinary HK$200 Non-voting deferred HK$500,000	Dormant
Eternal Business Limited *	Hong Kong	**100**	100	Ordinary HK$100	Holding of shop leases in Hong Kong

* indirect subsidiary